



**MINUTES
PUBLIC MEETING
Tuesday, April 8, 2008
9:00 am
Auditor of State's Office, Room 240**

I. Call to Order/Roll Call

Auditor Tim Berry called the meeting to order at 9:00 am. Richard Mourdock and newly appointed Board Member Steffanie Rhinesmith were present.

II. Finalist Presentation-Small Cap Broad Fund Manager

Janet Sweet and Amanda Black presented Capital Cities' evaluation and overview of the Indiana Deferred Compensations Small Cap Manager search to replace Goldman Sachs Structured Small Cap Equity Fund. Currently, there is \$17.5 million dollars in assets represented in that Goldman Sachs product.

Capital Cities received 52 responses to the widely broadcasted Request for Proposal. First, Capital Cities did a quantitative screening, which looked at performance consistency, risk-adjusted returns, style adherence and relative ranking. After that, they did a qualitative screening looking at the organizational history, and making sure they had plenty of resource available to the product.

From the 52 responses, Capital Cities narrowed the search down to six semi-finalists. After conducting interviews, Capital Cities is very confident with the three finalists they have chosen to present to the Indiana Deferred Compensation Board.

A. State Street Global Advisors

State Street Global Advisors is a wholly owned subsidiary of State Street Corporation. State Street has \$2 trillion in assets under management. State Street's Enhanced Equity Strategies are designed to provide a bridge between low risk/low value-added (or zero tracking error) passive investments, and high risk/high value added (high tracking error) active management alternatives. They have a very disciplined quantitatively driven

investment process using a multi-factor security selection technique. These evaluations are applied within a risk-controlled framework to construct well-diversified portfolios that closely track the benchmark. Fees for this product are 60bps on the first \$25 million, 50bps on the next \$25 million, and 45 bps on the next \$50 million. Plus, approximately 10 bps for operational expenses.

B. Royce

The Royce Fund is independently managed and focuses exclusively on mid-, small- and micro-cap investing. They currently have over \$29.8 billion in assets under management. The managers employ a disciplined value approach and strive to provide investors with above average absolute performance. The process tends to be contrarian in nature, and portfolios are built from the bottom up. Royce invests primarily in the securities of small- and micro-cap companies using various value methods. Janet Sweet expressed concern that although Royce Funds have had no problem with performance, that \$30 billion in assets being invested is a large amount. The fees for this product are 104bps.

C. Frontegra - Iron Bridge SMID Cap Core Equity

Christopher Faber founded IronBridge in 1999. It has over \$4.4 billion in assets under management. IronBridge uses a return on investment analysis that is cash flow based, not accounting based. They believe that superior investment returns are achieved by owning companies that deliver corporate performance (Cash Flow Return on Investment and asset growth) not reflected in today's stock prices. IronBridge employs a proprietary, multifactor score to assess the attractiveness of firms with a market cap less than \$10 billion. They establish where a company is in its Life Cycle, determine which variables are critical for analysis, rank the companies, and then compile a list of candidates. The fees for this product are 95 bps.

Tim Berry asked whether replacing a small to mid cap investor would rule out Royce. Janet Sweet stated they are definitely not limited to value stocks. This is a core product and close to our style.

Tim Berry asked out of the 52 responses, how many are from firms that are managed in the State of Indiana? Amanda Black stated that eight identified themselves as Buy Indiana and Wells Growth is managed here in Indiana.

Tim Berry asked what is Capital Cities recommendation based on the fit that the Board is trying to fill for the plan? Janet Sweet stated that out of the three candidates she prefers the IronBridge products. She likes their strategies and feels they have a unique and proven track record.

Richard Mourdock made a motion to accept IronBridge as the Indiana Deferred Compensations new small cap manager. Steffanie Rhinesmith seconded, the motion was carried unanimously.

III. Reading of the Minutes

Richard Mourdock moved to approve the February 15, 2008 Public Meeting minutes. Tim Berry seconded, the motion and the minutes were approved unanimously.

IV. New/Old Business

V. Adjournment

The Executive Meeting adjourned by consent at 9:50 am.